

DISCUSSION/ACTION AGENDA

Date: March 9, 2016

Item: Receive Presentation regarding City Budget from City Manager.

Background: Staff will present an overview of the City's primary revenues and expenses. This is the kickoff to developing next year's budget, and is also important context as the City considers the sales tax renewal item on tonight's agenda, and Ordinance changes that could affect transient occupancy tax revenue. The powerpoint presentation will include alternative scenarios for the City to consider depending on future revenues.

Summary information is provided here. The powerpoint presentation at the meeting will have additional detail.

Trinidad has four main types of Revenue –

General Fund Revenue, which can be used for almost anything (in the City Budget)

Enterprise Fund – The City's water service and the cemetery are Enterprise Funds, where we (try to) charge our cost for services, and revenues can only be used to run those 'businesses'.

Competitive Grant Funds – These are tied to specific projects like stormwater improvements, or septic system replacements. They can cover staff time spent on those projects.

Restricted State Tax Revenues – These are restricted to specific uses – like Gas Tax for Transportation related projects, and COPS revenue for our Sheriff's contract.

This presentation will focus on General Fund Revenues and Expenses, and consider how the City could adapt to different revenue scenarios. Specifically the potential loss of the 0.75% sales tax, which expires next year unless the voters extend it, and potential changes in TOT revenue due to new VDU regulations.

Before considering alternatives, let's look at our most recent audited financial statements:

2014-15 General Fund Revenue Sources and Amounts

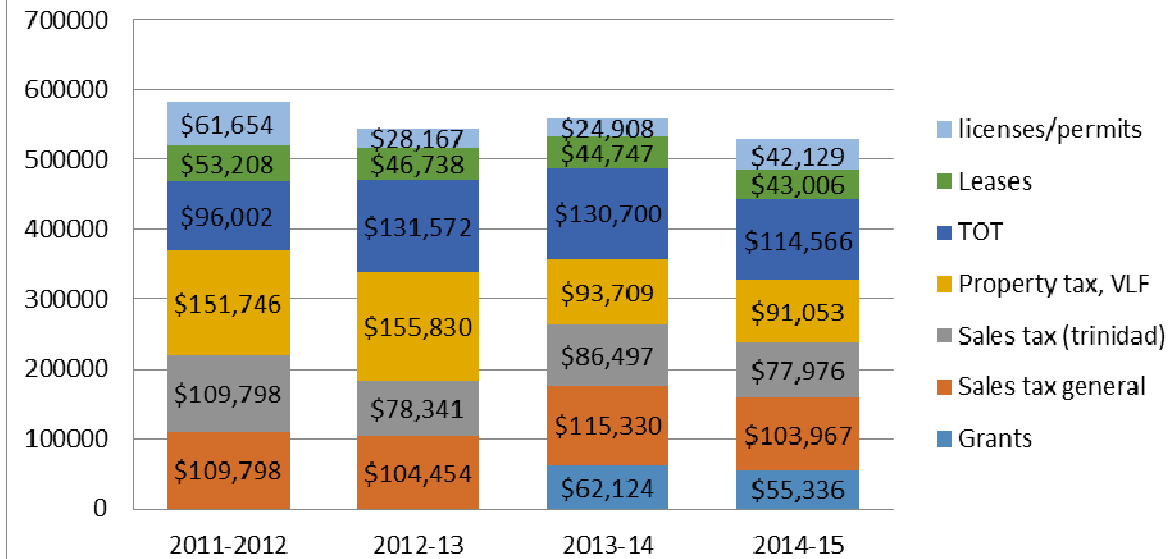
TOT (Transient Occupancy Tax)	\$115,000	22%
Sales Tax (statewide, not City voter approved)	\$100,000	19%
Trinidad Sales Tax (Voter approved)	\$82,000	15%
Property Tax and Vehicle License Fees	\$91,000	17%
Grant Reimbursement	\$55,000	10%
Leases (Cell Tower, Franchise agreements...)	\$43,000	8%
Permit and License Fees	\$42,000	8%
Miscellaneous	\$6,000	1%
Total GF Revenue:	\$534,000	100%

2014-15 General Fund Expenses

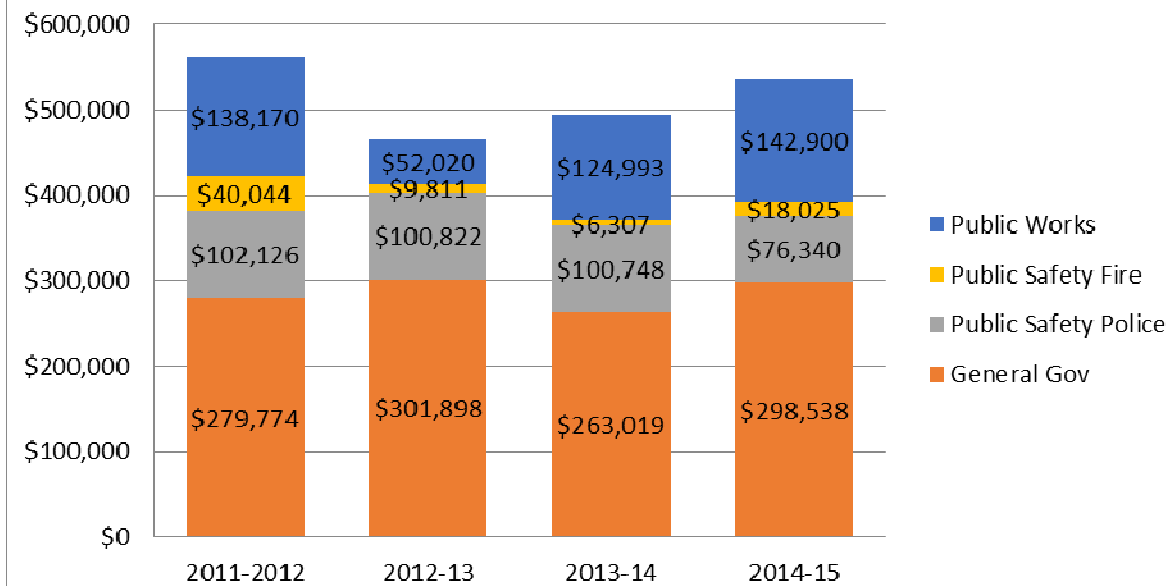
Public Administration	\$248,000	46%
Public Works	\$143,000	27%
Public Safety (Sheriff)	\$76,000	14%
Planning and Building	\$51,000	10%
Fire Dept.	\$18,000	3%
Total	\$536,000	100%

This data (above) is the most recent audited fiscal year. You can see we (almost) broke even in our General Fund last year. The following charts show the same data over the last four years.

General Fund Revenue 2012-2015



General Fund Expenses



The biggest changes in revenue have been a significant (\$55,000) drop in property tax/VLF funds from the state to the General Fund after 2013, fluctuations in TOT revenue, and significant grant funds in recent years, which help offset personnel expenses. Those grant funds, which we can't rely on in any ongoing basis, have helped fill what otherwise would be a significant hole from the reduced property tax and VLF revenues.

Staff costs dominate expenses:

If you include both City staff and contracted staff, our personnel expenses make up the single largest portion of our general fund expenses.

General Fund Expenses for Personnel (City and Contract Staff)

		City Employees	Attorney	Sheriff	Planner	Building	Engineer	TOTAL
General Gov		\$142,000	\$10,000		\$58,000	\$5,000	\$2,000	\$217,000
Public Works		\$104,000					\$5,000	\$109,000
Public Safety		\$3,800		\$89,000				\$92,800
								\$0
TOTALS		\$249,800						\$418,800

Future Revenue Scenarios, over the next 2-3 years.

The most obvious potential revenue changes on the horizon is the sales tax renewal vote this fall. That voter approved tax provides about 15% of our General Fund Revenue, or almost \$100,000 per year.

VDU regulations could result in changes to TOT revenue as well. With those revisions still under development, this is hard to predict. If there are changes that affect revenue, they may be implemented over time, but that is also still unclear. TOT has been a major GF Revenue source in recent years.

Best Case Scenario –

1. Local Sales Tax is renewed at 0.75%, TOT revenue remains stable, assume other revenue is stable.

GF Revenue remains stable in the \$520K to \$550K range. With reasonable budgeting, this is sustainable for the near future.

Loss of Sales Tax -

2. Sales Tax is not renewed, TOT revenue remains stable, assume other revenue is stable.

If we assume revenue and expense are about equal, as we saw in the 2015 year end report, then this scenario puts us at a \$90,000 deficit annually. Unless we can identify new revenue, this requires putting many projects on hold and reducing personnel expenses to break even.

Loss of Sales Tax and TOT reduction

3. Sales Tax not renewed, and TOT revenue is reduced by 20%

This is a ~\$114,000 reduction in revenue. For a scale of reference, the full payroll cost of the City Clerk, City Manager, and Public Works Director are all in the range of \$75K to \$85K. So losing one of those positions would get us 2/3 of the way there.

Options for Increasing/Maintaining Revenue:

- The City can review services across the board to insure that our rate structure for permits, fees, licenses, etc. are truly covering the associated costs. This is worthwhile in any case, but will not make a large difference on the scale of the whole budget.
- The renewal of the sales tax.
- The City could increase the TOT rate, with voter approval. That rate is currently 10%. Rates across the state range from 8-14%* (Ca League of Cities data). Each one percent increase would result in approximately \$12,000 annually based on recent revenues.

Staff Recommendation: Receive Presentation and Discuss.